

TEACHERS' RETIREMENT BOARD

INVESTMENT COMMITTEE

SUBJECT: Activity Status Report
Credit Enhancement Program

ITEM NUMBER: 12

ATTACHMENT(S): 2

ACTION: _____

DATE OF MEETING: October 7, 1998

INFORMATION: X

PRESENTER(S): Mr. Rose

EXECUTIVE SUMMARY

STRS will be credit enhancing the following five transactions:

The first transaction is a \$3.1 million bond issued by the California Economic Financing Authority for Norco Injection Molding of Chino Ca. (WRJ Investments). Proceeds will be used for the acquisition of land and building. STRS will wrap a bank.

The second transaction is a \$8.2 million bond issued by the Association of Bay Area Governments (ABAG) for Reliance Technical Services of Sunnyvale, Ca. Proceeds will be used for the renovation of 160,000 square foot facility and the purchase of equipment. STRS will wrap a bank. The transaction will close over the next several months.

The third transaction is a \$7.5 million bond issued by the California Statewide Communities Development Authority for the St. Vincent de Paul Society of San Diego. Proceeds will be used to finance and refinance the development, acquisition, construction, renovation, improvement of the several projects which will be further mentioned in the report. STRS will wrap a bank. The transaction will close over the next several months.

The fourth transaction is for a \$8.5 million letter-of-credit replacement for bonds issued by the California Statewide Communities Development Authority for the Terraces at Park Marino Project located in Altadena. STRS will wrap a bank. The transaction will close over the next several months.

The fifth transaction(s) are issued by the Fillmore Financing Authority for the Fillmore Redevelopment Agency and the City of Fillmore. The Fillmore Redevelopment Agency is refunding two 1993 debt issues and issuing \$3.0 in new debt for a total of \$13.1 million. The second enhancement will provide lower interest rates for the City of Fillmore's 1997 debt issuance of \$7.5 million for the City Water District. Fillmore is located in Ventura County. STRS will wrap a bank. The transaction is expected to close in September.

1. Norco Injection Molding (WRJ Investments) (Chino, Ca)

Norco Injection Molding is a manufacturer of plastic injection molding products, specifically patio furniture, houseware, and sprinkler valves. Major customers include Rainbird Corp, Sunbeam Corp, and Sunrise Medical. Norco currently employs 90 people and expects to add another 70 people due to the expansion.

The enhancement is for \$3.1 million. STRS will wrap a bank. The transaction is expected to close in September, 1998.

2. Reliance Technical Services (Sunnyvale, Ca)

Reliance provides assemble and test services for Original Equipment Manufacturing (OEM) purchasers. Their market is primarily OEM users for electronic circuit boards. The company's primary customers are companies such as Hewlett Packard, Proxim, and Cornerstone.

The proposed project is the renovation of 160,000 square foot facility and the purchase of equipment. The company currently employs 180 people and expects to add another 170 people over the next two years. The enhancement is for \$8.2 million. STRS will wrap a bank. The transaction is expected to close over the next several months.

3. Saint Vincent de Paul Management Inc. (SVDP) (San Diego, Ca)

SVDP is a California nonprofit religious corporation and is exempt from federal income taxes as a 501 © (3). The proceeds of the \$8.2 million financing will be used for:

- Imperial Ave Project. Financing and refinancing the acquisition and development of the Joan Kroc and Bishop Maher Centers which service 450 homeless persons.
- 3350 E Street Project. Refinancing the cost of acquiring the 51,200 square foot, two-story building which is used as administrative offices and a food warehouse.
- Teen Center. Refinancing the teen center which provides case managed, transitional housing programs for homeless teens aged 14 to 18, including an on site school, counseling and free medical and dental care.
- 33rd Street Warehouse. Refinancing the 25,400 square foot warehouse , thrift store dispatch office and auction site.
- Commercial Street Park . Refinancing and financing of a park to include play areas and a parking lot.
- Sixteenth Street Project. Financing and refinancing the acquisition of two 1,500 foot residences to be used as guest accommodations for out-of-town visitors and for meetings and conference facilities.
- Fifteenth Street Project. Financing and refinancing the acquisition and rehabilitation of an approximately 50,000 square foot job center and 350-bed seasonal shelter.
- Maintenance Center. Financing and refinancing the acquisition, rehabilitation and equipping of an 2,500 square foot maintenance center.

- 4850 Pacific Highway Project. Financing the acquisition and rehabilitation of a 18,000 square foot building to be used as headquarters of the corporation.
- Affordable Housing Projects. Financing the acquisition and rehabilitation of nine single-family residences and commercial properties for the development of affordable housing residences and office space for program development and support services.

STRS will wrap a bank. The transaction is scheduled to close over the next several months.

4. **The Terraces at Park Marino Project (Altadena)**

The Terraces at Park Marino is a 88 unit assisted living project designed for seniors. It is located in Altadena. It is an affordable housing facility which sets aside 20% of the units for seniors with incomes below 50% of the median income for Los Angeles, CA. Rents can be no more than 15% of the seniors income.

STRS will wrap a bank. The transaction is scheduled to close over the next several months.

5. **Fillmore Public Financing Authority and the City of Fillmore (Ventura County)**

The fifth transaction(s) are for the Fillmore Public Financing Authority and the City of Fillmore.

- 1) The Fillmore Public Financing Authority is refunding two 1993 debt issues for \$10.1 million ahead of their call dates (2003). The original proceeds were used for general redevelopment in the Central City Project Area. The refinancing savings will allow for issuance of \$3.0 million for new money for redevelopment. Both of the above issues are secured by redevelopment revenues of the Central City Project Area.
- 2) In 1997 the City of Fillmore issued \$7.5 million which refinanced a previous fixed rate issue of \$3.7 million, provided \$3.6 million in new money, and covered interest reserves. The old issue financed the construction of a \$2.3 million gallon water reservoir and the \$3.6 million in new money to build a three million gallon reservoir and related pipeline. This issue is secured by water revenues of the City's Enterprise Fund.

The Fillmore Public Financing Authority transactions are expected to close in September, while the City of Fillmore transaction will close in October or November of 1998. STRS will be wrapping a bank.

g:Oct98board

STRS CREDIT ENHANCEMENT PROGRAM

PROGRAM SUMMARY AS OF SEPTEMBER 17, 1998

Transactions	Type	Closing Date	End of Commitment	STRS Commitment	Interest	Total Commitment	Fiscal 1998 - 99 Fee Income	Fee Income To Date
Port of Long Beach	Liquidity	Jun-94	Feb-00	\$75,000,000	\$0	\$75,000,000	\$25,919	\$172,931
Bridge - Richmond Townhomes	Expired. Redeemed as of February, 1997.							\$15,096
USA Waste Industries	Credit	Nov-94	Nov-99	\$9,764,121	\$0	\$9,764,121	\$30,513	\$211,412
Sanifill, Inc.	Expired. Redeemed as of Jan 19, 1998			\$0	\$0	\$0	\$43,809	\$87,618
Pt. Loma College	Credit	Aug-96	Aug-00	\$25,000,000	\$369,863	\$25,369,863	\$35,103	\$326,176
City of Visalia (California)	Credit	Sep-96	Sep-01	\$3,490,000	\$72,286	\$3,562,286	\$11,660	\$43,736
Buck Research on Aging	Credit	Dec-96	Dec-99	\$27,500,000	\$397,808	\$27,897,808	\$47,349	\$323,628
LA Fairplex	Credit	Jul-97	Jul-01	\$17,900,000	\$698,224	\$18,598,224	\$25,573	\$136,915
San Diego Unified Port District (20)	Credit	Oct-97	Oct-02	\$35,000,000	\$1,365,243	\$36,365,243	\$6,472	\$31,725
San Diego Unified Port District (21)	Credit	Oct-97	Oct-02	\$15,000,000	\$585,104	\$15,585,104	\$6,472	\$19,225
Pasadena Parking Authority	Credit	Jan-98	Jan-03	\$9,909,167	\$0	\$9,909,167	\$7,734	\$13,003
Pasadena Rosebowl (22)	Credit	Jun-98	Jun-01	\$15,600,000	\$276,956	\$15,876,956	\$0	\$0
Adventist West	Credit	Feb-98	Feb-05	\$114,500,000	\$1,693,973	\$116,193,973	\$49,931	\$98,114
CSCDA - IDB's								
Series 1994B								
Propak of California	Credit	Nov-94	Nov-00	\$3,210,000	\$71,763	\$3,281,763	\$0	\$45,177
J. Michelle/Edie Lee	Credit	Nov-94	Nov-00	\$2,840,000	\$63,492	\$2,903,492	\$0	\$47,607
Pasco Scientific	Credit	Dec-94	Dec-00	\$2,825,000	\$63,156	\$2,888,156	\$0	\$46,036
American River Packaging	Credit	Dec-94	Dec-00	\$1,765,000	\$39,459	\$1,804,459	\$0	\$29,012

Sheet1

Lance Camper Manuf.	Credit	Dec-94	Dec-00	\$3,835,000	\$85,736	\$3,920,736	\$0	\$56,026
CSCDA - IDB's Series 1989-90								
Intermountain Trading	Credit	Feb-95	Feb-01	\$320,000	\$7,154	\$327,154	\$0	\$7,226
Andercraft Products	Credit	Feb-95	Feb-01	\$850,000	\$19,003	\$869,003	\$0	\$22,907
Sunclipse, Inc. (Alhambra)	Credit	Feb-95	Feb-01	\$3,200,000	\$71,540	\$3,271,540	\$0	\$40,752
Sunclipse, Inc. (Union City)	Credit	Feb-95	Feb-01	\$2,135,000	\$47,730	\$2,182,730	\$0	\$30,427
Busseto Foods, Inc. (Rapelli of CA)	Credit	Mar-95	Mar-01	\$2,500,000	\$55,890	\$2,555,890	\$0	\$32,075
AHNNN, Inc.	Expired. Redeemed as of Sept-97.			\$0	\$0	\$0	\$0	\$9,416
Zarn, Inc.	Credit	Mar-95	Feb-01	\$970,000	\$21,685	\$991,685	\$1,187	\$20,817
Marcel & Marge Schurman	Credit	Mar-95	Feb-01	\$1,725,000	\$38,564	\$1,763,564	\$1,877	\$26,183
Charles & Loralie Harris	Credit	Mar-95	Feb-01	\$2,440,000	\$54,549	\$2,494,549	\$2,531	\$34,869
American Zettler	Credit	Mar-95	Mar-01	\$2,145,000	\$47,954	\$2,192,954	\$1,929	\$26,227
Aqua Serv Engineering	Credit	Mar-95	Mar-01	\$1,540,000	\$34,428	\$1,574,428	\$2,547	\$35,026
Contech Engineering Prod.	Credit	Mar-95	Mar-01	\$1,440,000	\$32,193	\$1,472,193	\$1,280	\$18,558
Evapco, Inc.	Credit	Mar-95	Mar-01	\$540,000	\$12,072	\$552,072	\$480	\$7,771
Florestone Products Co.	Credit	Mar-95	Mar-01	\$1,615,000	\$36,105	\$1,651,105	\$1,435	\$21,492
Grundfos Pumps Company	Credit	Mar-95	Mar-01	\$6,000,000	\$134,137	\$6,134,137	\$5,487	\$67,157
Instrument Specialities Co.	Credit	Mar-95	Mar-01	\$745,000	\$16,655	\$761,655	\$663	\$11,617
McCain Citrus	Credit	Mar-95	Mar-01	\$3,000,000	\$67,068	\$3,067,068	\$2,351	\$29,867
Mc Elroy Metal Mills, Inc.	Credit	Mar-95	Mar-01	\$660,000	\$14,755	\$674,755	\$536	\$11,071
NRI, Inc.	Credit	Mar-95	Mar-01	\$1,575,000	\$35,211	\$1,610,211	\$1,419	\$19,460
W & H Voortman, Inc.	Credit	Mar-95	Mar-01	\$2,520,000	\$56,338	\$2,576,338	\$1,959	\$26,440
Image Laboratories, Inc.	Expired. Redeemed as of Dec-96.			\$0	\$0	\$0	\$0	\$26,854
Allwire, Inc.	Credit	Mar-95	Mar-01	\$330,000	\$7,378	\$337,378	\$0	\$8,101
Fairway Molds, Inc.	Credit	Mar-95	Mar-01	\$660,000	\$14,755	\$674,755	\$0	\$17,818
S & P Investments	Credit	Mar-95	Mar-01	\$1,250,000	\$27,945	\$1,277,945	\$0	\$19,038
Northwest Pipe & Casing	Credit	Apr-95	Apr-01	\$3,250,000	\$72,658	\$3,322,658	\$0	\$42,771
Reliance Upholstery	Credit	Apr-95	Apr-01	\$300,000	\$6,707	\$306,707	\$0	\$8,354
Zieman Manufacturing	Credit	Apr-95	Apr-01	\$455,000	\$10,172	\$465,172	\$0	\$9,036

CSCDA - IDB's

Series 1995A

Carvin Corporation	Credit	Jun-95	Aug-01	\$2,420,000	\$54,102	\$2,474,102	\$2,438	\$35,495
Leegin Creative Leather Prod.	Expired. Redeemed as of Dec-97.			\$0	\$0	\$0	\$0	\$19,469
Kennerley-Spratling	Credit	Jun-95	Aug-01	\$3,065,000	\$68,522	\$3,133,522	\$3,028	\$42,637
Vantage Properties	Credit	Jun-95	Aug-01	\$1,690,000	\$37,782	\$1,727,782	\$1,770	\$24,135
BNG Properties, LLC	Expired. Redeemed as of Aug-96.			\$0	\$0	\$0	\$0	\$12,253
Staub Metals, Inc.	Credit	Aug-95	Aug-01	\$1,280,000	\$28,616	\$1,308,616	\$1,395	\$20,783
Aerostar Partners, Inc.	Credit	Sep-95	Sep-01	\$4,645,000	\$103,844	\$4,748,844	\$0	\$50,702
Walker Spring and Stamping Corp.	Credit	Sep-95	Sep-01	\$3,640,000	\$81,376	\$3,721,376	\$0	\$40,804
Encore Video, Inc.	Credit	Sep-95	Sep-01	\$780,000	\$17,438	\$797,438	\$0	\$10,338
EuroDesign Cabinets, Inc.	Credit	Sep-95	Sep-01	\$1,040,000	\$23,250	\$1,063,250	\$0	\$13,633
South Bay Circuits, Inc.	Credit	Sep-95	Sep-01	\$1,950,000	\$43,595	\$1,993,595	\$0	\$23,200
W & H Voortman, Inc.	Credit	Sep-95	Sep-01	\$1,080,000	\$24,145	\$1,104,145	\$0	\$13,280
Red Line Oil Co.	Credit	Nov-95	Nov-00	\$1,095,000	\$24,480	\$1,119,480	\$0	\$15,876
Johansen Dielectrics	Credit	Nov-95	Nov-00	\$2,700,000	\$60,362	\$2,760,362	\$0	\$32,887
Peet's Coffee	Credit	Dec-95	Dec-00	\$3,500,000	\$78,247	\$3,578,247	\$0	\$37,108
Safariland	Credit	Sep-96	Sep-01	\$4,000,000	\$82,849	\$4,082,849	\$2,911	\$19,844
Control Air Conditioning	Credit	Jun-97	Jun-01	\$5,000,000	\$111,781	\$5,111,781	\$5,295	\$40,279

CSCDA - IDB

Series 1996M

Cordeiro Vault Co., Inc.	Credit	Dec-96	Dec-00	\$1,130,000	\$25,262	\$1,155,262	\$0	\$10,392
---------------------------------	--------	--------	--------	-------------	----------	-------------	-----	----------

CSCDA - IDB

Series 1996M

Fibrebond West, Inc.	Credit	Dec-96	Dec-00	\$8,000,000	\$178,849	\$8,178,849	\$0	\$55,923
-----------------------------	--------	--------	--------	-------------	-----------	-------------	-----	----------

Confirmation #1

Suncreek Apts.	Credit	Apr-96	Apr-01	\$6,800,000	\$78,247	\$6,878,247	\$8,693	\$110,929
-----------------------	--------	--------	--------	-------------	----------	-------------	---------	-----------

Confirmation #2

CMIG LLC	Terminated as of August 28, 1998.			\$0	\$0	\$0	\$2,153	\$5,514
-----------------	--	--	--	-----	-----	-----	---------	---------

Sheet1

Confirmation #3								
Monrovia Redevelopment Agency	Credit	Jan-98	Jan-01	\$8,600,000	\$229,727	\$8,829,727	\$4,423	\$24,117
Confirmation #4 & #5								
First Class Foods / Alliance	Credit	Apr-98	Apr-03	\$3,750,000	\$55,479	\$3,805,479	\$0	\$5,708
Confirmation #6								
Western Saw	Credit	Jun-98	Jun-03	\$3,600,000	\$53,260	\$3,653,260	\$0	\$5,480
Confirmation #8								
Delta Tau Data Systems	Credit	Aug-98		\$0	\$0	\$0	\$8,829	\$8,829
TOTAL:				\$475,068,287	\$8,186,924	\$483,255,211	\$357,152	\$3,014,378

note: aerostar #9 commitment: 4,895,000 as of nov 5, 1996

STRS CREDIT ENHANCEMENT PROGRAM
BANK EXPOSURE
PROGRAM SUMMARY AS OF SEPTEMBER 17, 1998

Deal	Commitment	Interest	Total	Portfolio Percentage
PARTNER INSTITUTION				
Port of Long Beach				
Canadian Imperial Bank of Commerce (CIBC)	\$75,000,000	\$0	\$75,000,000	15.79%
Buck Research Center on Aging (CIBC)	\$27,500,000	\$397,808	\$27,897,808	5.79%
USA Waste Industries				
Bank of California	\$9,764,121	\$0	\$9,764,121	2.06%
Sanifill, Inc.				
Texas Commerce Bank	\$0	\$0	\$0	0.00%
San Diego Unified Port District (CIBC)	\$35,000,000	\$1,365,243	\$36,365,243	7.37%
San Diego Unified Port District (CIBC)	\$15,000,000	\$585,104	\$15,585,104	3.16%
Pasadena Parking Authority (CIBC)	\$9,909,167	\$0	\$9,909,167	2.09%
Pasadena Rose Bowl (CIBC)	\$15,600,000	\$276,956	\$15,876,956	3.28%
Adventist West (MBIA)	\$114,500,000	\$1,693,973	\$116,193,973	24.10%
DIRECT BANK EXPOSURE				
<u>Letter of Credit Bank:</u>				
Union Bank of California, N.A.	\$36,135,000	\$807,840	\$36,942,840	7.61%
Long Term Cr Bank of Japan	\$25,000,000	\$369,863	\$25,369,863	5.26%
Tokai Bank	\$17,900,000	\$698,224	\$18,598,224	3.77%
Bank of America	\$16,655,000	\$372,342	\$17,027,342	3.51%
Sanwa Bank of California	\$10,290,000	\$230,045	\$10,520,045	2.17%
Wells Fargo Bank	\$8,840,000	\$197,628	\$9,037,628	1.86%
General Bank	\$8,600,000	\$229,727	\$8,829,727	1.81%
First Commerce Bank	\$8,000,000	\$178,849	\$8,178,849	1.68%
US Bank of California	\$6,800,000	\$78,247	\$6,878,247	1.43%
Bank of Nova Scotia	\$6,600,000	\$147,551	\$6,747,551	1.39%
City National Bank	\$6,140,000	\$108,911	\$6,248,911	1.29%
Imperial Bank of California	\$4,000,000	\$82,849	\$4,082,849	0.84%
Pacific Century Bank, N.A.	\$3,600,000	\$53,260	\$3,653,260	0.76%
The Fuji Bank, Limited	\$3,490,000	\$72,286	\$3,562,286	0.73%
Istituto Bancario San Paolo Di Torino Spa	\$2,500,000	\$55,890	\$2,555,890	0.53%
Comerica Bank	\$1,950,000	\$43,595	\$1,993,595	0.41%
Mellon Bank	\$1,440,000	\$32,193	\$1,472,193	0.30%
Fleet Bank	\$1,280,000	\$28,616	\$1,308,616	0.27%
Societe Generale	\$970,000	\$21,685	\$991,685	0.20%

Sheet1

CoreStates Bank	\$745,000	\$16,655	\$761,655	0.16%
National Bank of Canada	\$660,000	\$14,755	\$674,755	0.14%
1st Business Bank	\$660,000	\$14,755	\$674,755	0.14%
NationsBank	\$540,000	\$12,072	\$552,072	0.11%

CMIG LLC (Confirmation #2)

Santa Barbara Bank and Trust	\$0	\$0	\$0	0.00%
------------------------------	-----	-----	-----	-------

Total Bank Exposure	\$475,068,287	\$8,186,924	\$483,255,211	100.00%
----------------------------	----------------------	--------------------	----------------------	----------------